

Dear Massachusetts Congressional Delegation,

As the Executive Director of a nonprofit organizations of Massachusetts, I am concerned by reports that Congress is considering a cap or elimination of the itemized charitable deduction as part of a deal to avert the fiscal cliff. We urge you to protect this deduction—a unique and cherished incentive for Americans to invest directly in important community needs.

The nonprofit sector plays a central role in the social and economic vitality of the Commonwealth of Massachusetts. Non Profit organizations educate and keep the citizenry healthy; care for the most vulnerable populations; and preserve the state's cherished historical, cultural and environmental resources. Nonprofits employ 16.7% of the workforce, or nearly 500,000 Massachusetts residents, and are responsible for \$250 billion in annual revenues. Congress codified the strong American tradition of giving back to our communities in the tax code nearly a century ago, when it provided for deductions on charitable contributions in the Revenue Act of 1917. Now, as an April 2011 Gallup poll illustrated, 7 in 10 Americans oppose the elimination of the charitable tax deduction, regardless of whether the savings would be used to lower their taxes or reduce the deficit.

The charitable tax deduction maintains such broad support because it is the only incentive that provides not a personal benefit, but instead a mechanism to support critical community needs and generates considerable leverage on the federal government's investment. For every dollar that is deducted through the charitable giving incentive, nearly three dollars of private spending go directly to schools, hospitals, social service organizations, museums, historical landmarks, open spaces and more.

It is clear that the charitable deduction works and that more people give—and give more—as

a result. Dr. Martin Feldstein, a professor of economics at Harvard University and president emeritus of the National Bureau of Economic Research, estimates that without the charitable giving incentive, annual giving in the U.S. would drop 25 to 36 percent. He also states that the proposed cap could cost charities as much as \$7 billion a year in contributions.

The direct impact on nonprofits in Massachusetts would be devastating. According to the IRS, Massachusetts residents contributed \$4.3 billion in itemized charitable donations in 2010. 60 percent of those contributions were made by individuals with incomes greater than \$200,000. A national study, released last month by Bank of America, asked philanthropists, whose incomes were \$200,000 or more, whether their giving habits would change if the charitable giving deduction were eliminated. Nearly half (49 percent) indicated that would decrease their giving, and 20 percent indicated that their contributions would “dramatically decrease.”

Charitable giving is the lifeblood on the nonprofit sector and any effort that would eliminate, reduce, or cap the tax value of charitable contributions will affect our ability to address critical needs in Massachusetts cities and towns. We urge you to protect and make clear your support for the charitable giving incentive.

Thank you for your continued work on behalf of the citizens of the Commonwealth.

Sincerely,

Jennifer A. Connolly,
President
Junior Achievement of Western Massachusetts
1500 Main Street, Suite 217
PO Box 15167
Springfield, MA 01115
Tel: (413) 747-7670
Email: jconnolly@jawm.org